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**ANNUAL AUDITED REPORT**  
**FORM X-17A-5**  
**PART III**

SEC FILE NUMBER
8-48723

**FACING PAGE**

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2018 AND ENDING 12/31/2018  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **National Alliance Securities, LLC**

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

**111 Congress Ave, Se 800**

(No. and Street) (City) (State) (Zip Code)  
**Austin TX 78701**

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

**Fred Bush**

**512-609-1700**

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

**Briggs & Veselka**

(Name - if individual, state last, first, middle name)  
**7200 N. Mopac, #260 Austin Tx 78731**  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

SEC Mail Processing

PIAK 04 2019

Washington, DC

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (11-05)

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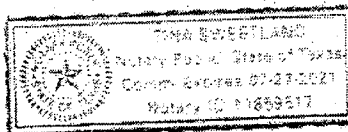
# OATH OR AFFIRMATION

I, Fred Bush, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of National Alliance Securities, LLC, as of December 31, 2018, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Fred Bush  
Signature  
CEO  
Title

Tom  
Notary Public



This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☒ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members of  
National Alliance Securities, LLC  
Austin, Texas

### Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of National Alliance Securities, LLC (the "Company") as of December 31, 2018, the related statements of operations, changes in member's capital, and cash flows for the year then ended, and the related notes and schedules to the financial statements (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of National Alliance Securities, LLC as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements are the responsibility of National Alliance Securities, LLC's management. Our responsibility is to express an opinion on National Alliance Securities, LLC's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.


We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### Supplemental Information

The information contained in Schedules I, II, and III have been subjected to audit procedures performed in conjunction with the audit of National Alliance Securities, LLC's financial statements. The supplemental information is the responsibility of the Company's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information.

To the Members of  
National Alliance Securities, LLC  
Re: Report of Independent Registered Public Accounting Firm

In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the information contained in Schedules I, II, and III are fairly stated, in all material respects, in relation to the financial statements as a whole.

  
Briggs & Veselka Co.

We have served as National Alliance Securities, LLC's auditor since 2018.

Houston, Texas

February 28, 2019

**NATIONAL ALLIANCE SECURITIES, LLC**

Statement of Financial Condition

December 31, 2018

**Assets****Current assets**

Cash and cash equivalents	\$ 1,235,012
Cash segregated under federal regulations	911
Certificate of deposit	27,467
Receivable from clearing broker-dealers	
Accounts receivable	446,876
Debt securities, at fair value	36,903,176
Debt securities purchased under agreements to resell	5,689,279
Trading deposit	8,477,593
Clearing deposits	251,420
Property and equipment, net of accumulated depreciation of \$304,812	37,558
Other assets	385,256

**Total assets**\$ 53,454,548**Liabilities and Members' Capital****Current liabilities**

Accounts payable and accrued expenses	\$ 288,922
Accrued compensation payable	564,789
State income tax payable	21,144
Debt securities sold, not yet purchased	16,129,523
Debt securities sold under agreements to repurchase	7,790,672
Payable to clearing broker-dealer	18,633,585
<b>Total liabilities</b>	<u>43,428,635</u>

**Members' capital**10,025,913**Total liabilities and members' capital**\$ 53,454,548

See notes to financial statements and report of independent registered public accounting firm.

**NATIONAL ALLIANCE SECURITIES, LLC**

## Statement of Operations

For the Year Ended December 31, 2018

**Revenues:**

Trading profits, net of trading interest expense of \$1,287,325)	\$ 2,759,058
Securities commissions	6,339,513
Other income	203,216
Interest	4,189,021
<b>Total revenues</b>	<u>13,490,808</u>

**Operating expenses:**

Compensation and related costs	8,816,687
News and quotes	1,545,090
Clearing and execution costs	1,042,403
Dues and subscriptions	455,385
Occupancy and equipment	572,371
Professional fees	263,412
Travel and entertainment	86,979
Communications	141,491
Regulatory fees	117,708
Other expenses	115,668
Depreciation	25,137
<b>Total operating expenses</b>	<u>13,182,331</u>

Net income before income taxes 308,477

Provision for taxes 22,244

**Net Income** \$ 286,233

See notes to financial statements and report of independent registered public accounting firm.

**NATIONAL ALLIANCE SECURITIES, LLC**  
**Statement of Changes in Members' Capital**  
**For the Year Ended December 31, 2018**

**Statement of Changes in Members' Capital**

	<u>Members' Units</u>		<u>Members' Capital</u>
Balance at December 31, 2017	11,749,467	\$	10,014,650
Members' capital contributions	955,254		792,225
Members' capital reductions	(750,100)		(635,414)
Members' distribution	-		(431,781)
Net Income	<u>-</u>		<u>286,233</u>
Balance at December 31, 2018	<u><u>11,954,621</u></u>	\$	<u><u>10,025,913</u></u>

See notes to financial statements and report of independent registered public accounting firm.

# NATIONAL ALLIANCE SECURITIES, LLC

Statement of Cash Flows  
For the Year Ended December 31, 2018

## **Cash flows from operating activities:**

Net Income	\$ 286,233
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	25,137
Change in assets and liabilities:	
Cash segregated under federal regulations	3,346
Receivable from clearing broker-dealers	799,618
Accounts receivable - other	(291,134)
Debt securities, at fair value	11,576,285
Debt securities purchased under agreements to resell	(1,899,279)
Trading and clearing deposits	(527,577)
Other assets	28,531
Accounts payable and accrued expenses	149,702
Accrued compensation payable	(45,380)
State income taxes payable	14,975
Debt securities sold, not yet purchased	(4,188,887)
Debt securities sold under agreements to repurchase	(662,072)
Payable to clearing broker-dealer	(4,883,451)
Net cash provided by operating activities	<u>386,047</u>

## **Investing Activities**

Purchase of property and equipment	(1,654)
Net cash used in investing activities	<u>(1,654)</u>

## **Financing Activities**

Members' capital contributions	792,225
Members' capital reductions	(635,414)
Distribution to members	(431,781)
Net cash used in financing activities	<u>(274,970)</u>

Net cash increase for year	109,423
Cash and cash equivalents at beginning of year	<u>1,125,589</u>
Cash and cash equivalents at end of year	<u>\$ 1,235,012</u>

## **Supplemental disclosures of cash flow information:**

Interest paid	\$ <u>1,287,325</u>
Income taxes paid-states	\$ <u>22,244</u>

See notes to financial statements and report of independent registered public accounting firm.



## NATIONAL ALLIANCE SECURITIES, LLC

### Notes to Financial Statements

December 31, 2018

#### Note 1 - Nature of Business

National Alliance Securities, LLC (Company) dba NatAlliance Securities, formerly, National Alliance Securities Corporation (NASC) began operations in June 2003, under the laws of the State of Nevada. NASC converted from a corporation to a limited liability company effective December 31, 2012. The conversion was a change in legal form and tax status. The Company is registered with the Securities and Exchange Commission (SEC) as a broker-dealer in securities and is a member of the Financial Industry Regulatory Authority (FINRA) and Securities Investor Protection Corporation (SIPC).

The Company's operations consist primarily in trading of debt securities for its own account and brokering debt securities for institutional customers. The Company also trades debt securities in the secondary wholesale market. The Company's securities trading and brokering consist primarily in U.S. government securities, mortgage backed securities, municipal bonds and corporate bonds. The majority of the Company's customers are institutions and broker-dealers located throughout the United States.

The Company operates under the exemptive provisions of Rule 15c3-3(k)(2) (ii) of the Securities Exchange Act of 1934, and accordingly, is exempt from the remaining provisions of that Rule. The Company does not hold customer funds or securities, but as an introducing broker-dealer, clears all transactions on behalf of customers on a fully disclosed basis through clearing broker-dealers. The clearing broker-dealers carry all of the accounts of the customers and maintain and preserve all related books and records as are customarily kept by a clearing broker-dealer. The Company's trading for its own account is also executed through its primary clearing broker-dealer.

#### Note 2 - Significant Accounting Policies

##### Basis of Accounting

These financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

##### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### Cash and Cash Equivalents

Cash and cash equivalents consist of cash, money market funds and highly liquid investments with original maturity dates of three months or less, excluding cash segregated under federal regulations, clearing deposits and trading deposits.

##### Accounts Receivable

Accounts receivable are recorded at invoiced amounts and represent amounts that are deemed collectible within a year. All accounts are subject to ongoing review of ultimate collectability. The Company offers no discounts on receivables to impute a market rate of interest, or accrues for potential impairment losses.

## NATIONAL ALLIANCE SECURITIES, LLC

Notes to Financial Statements  
December 31, 2018

### Debt Securities

Debt securities are held for trading purposes, recorded on the trade date and valued at their estimated fair value, as described in Note 3. The increase or decrease in fair value is included in trading profits in the accompanying statement of operations.

### Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and consists of office furniture and equipment. Depreciation is provided using the straight-line method based on the estimated useful lives of two to five years.

### Debt Securities Sold, Not Yet Purchased

Debt securities sold, not yet purchased consist of debt securities the Company has sold that it does not currently own and will therefore be obligated to purchase such securities at a future date. These obligations are recorded on the trade date and valued at their estimated fair value, as described in Note 3. The increase or decrease in fair value is included in trading profits in the accompanying statement of operations.

### Collateralized Financing Agreements

Transactions involving debt securities purchased under agreements to resell (reverse repurchase agreements or reverse repos) and debt securities sold under agreements to repurchase (repurchase agreements or repos) are accounted for as collateralized agreements or financings except where the Company does not have an agreement to sell (or purchase) the same or substantially the same securities before maturity at a fixed or determinable price. It is the policy of the Company to obtain possession of collateral with a fair value equal to or in excess of the principal amount loaned under resale agreements. Collateral is valued daily, and the Company may require counterparties to deposit additional collateral or return collateral pledged when appropriate. Reverse repos and repos are initially recorded at their contracted resale or repurchase amounts. Interest on such contract amounts is accrued and is included in repo and reverse repo balances.

### Revenue Recognition

Trading profits, securities commissions and the related expenses are recorded on a trade date basis as the transactions occur. Customer security transactions that are executed through the Company's proprietary trading account are recorded on a trade date basis as principal commission revenues. The related expenses are also recorded on a trade date basis. Net dealer inventory and investment revenue results from securities transactions entered into for the account of the Company. Net dealer inventory and investment revenue includes both realized and unrealized gains and losses, which are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

### Soft Dollar Transactions

The Company segregates cash under federal regulations for the benefit of customers related to soft dollar transactions. Qualified research expenses designated by soft dollar customers are paid by the Company from segregated cash.

## NATIONAL ALLIANCE SECURITIES, LLC

### Notes to Financial Statements

December 31, 2018

#### Income Taxes/Change in Tax Status

The Company is a limited liability company and is taxed at the member level rather than at the corporate level for federal income tax purposes. Therefore, there is no provision for federal income taxes.

During 2015, the members of the Company reinstated a distribution policy to pay member taxes on the taxable income of the Company. Under the policy, distributions are to be made on a quarterly basis in an amount equal to 50% of profits earned. During 2018, the Company distributed \$431,781 of cash to its members.

The Company is subject to various state taxes, primarily the Texas Franchise tax, and also California, Connecticut, Florida, New Jersey, New York and North Carolina.

The Company is required to determine whether a tax position taken or expected to be taken on a tax return is more likely than not to be sustained upon examination by the applicable taxing authority based on the technical merits of the position. The Company has reviewed all open tax years and concluded that there are no unrecognized tax benefits that would have a material impact on the Company's financial position.

#### Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" (ASU 2014-09). ASU 2014-09 supersedes the revenue recognition requirements in ASC Topic 605, "Revenue Recognition" and some cost guidance included in ASC Subtopic 605-35, Revenue Recognition - Construction-Type and Production-Type Contracts". The core principle of ASU 2014-09 is that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. ASU 2014-09 requires the disclosure of sufficient information to enable users of our financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. The Company will also be required to disclose information regarding significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 provides two methods of retrospective application. The new standard also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. We adopted this new standard on January 1, 2019 using the modified retrospective method of adoption. The adoption of this standard did not have a material

In February 2018, the FASB issued ASU No. 2018-02, Leases (Topic 842). This standard requires lessees to recognize a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months on its statement of financial position. The standard also expands the required quantitative and qualitative disclosures surrounding leases. This standard is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. This standard will be applied using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Management is currently evaluating the effect of these provision on the Company's financial position and results of operations.

**NATIONAL ALLIANCE SECURITIES, LLC**  
Notes to Financial Statements  
December 31, 2018

**Note 3 - Fair Value of Financial Instruments**

Fair value accounting standards establish an authoritative definition of fair value and set out a hierarchy for measuring fair value. The hierarchy prioritizes inputs and valuation techniques used to develop the measurements of fair value into three levels.

The three broad levels of the fair value hierarchy are as follows:

Level 1 – Fair value is based on quoted unadjusted prices for identical instruments in active markets to which the Company has access at the date of measurements.

Level 2 – Fair value is based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant inputs and significant value drivers are observed in active markets. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists or instances prices vary substantially over time or among brokered market makers.

Level 3 – Fair value is model derived valuations in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are those inputs that reflect the Company's own assumptions that market participants would use to price the asset or liability based on the best available information.

Following is a description of the valuation techniques applied to the Company's major categories of assets and liabilities measured at fair value on a recurring basis.

Investments in debt securities, reverse repurchase agreements, repurchase agreements and debt securities sold, not yet purchased are carried at estimated fair value and categorized as level 2 of the fair value hierarchy. Fair value has been measured by the Company's primary clearing broker-dealer or by pricing services used by the clearing broker-dealer using the actual trading prices of similar securities. When trading prices are not available for similar securities, the pricing services use market observable inputs in determining the valuation for a security based on underlying characteristics of the debt instruments.

Substantially all of the Company's other financial asset and liability amounts reported in the statement of financial condition are short term in nature and approximate fair value.

**NATIONAL ALLIANCE SECURITIES, LLC**  
Notes to Financial Statements  
December 31, 2018

The following table summarizes the valuation of the Company's major security types by the fair value hierarchy levels as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
Debt Securities Purchased Under				
Agreements to Resell	\$ -	\$ 5,689,279	\$ -	\$ 5,689,279
Debt Securities Owned	-	36,903,176	-	36,903,176
Totals	\$ -	\$ 42,592,455	\$ -	\$ 42,592,455
<b>Liabilities</b>				
Debt Securities Sold Under Agreements				
to Repurchase	\$ -	\$ 7,790,672	\$ -	\$ 7,790,672
Debt Securities Sold, Not Yet Purchased	-	16,129,523	-	16,129,523
Totals	\$ -	\$ 23,920,195	\$ -	\$ 23,920,195

Transfers between levels are recognized at the end of the reporting period. During the year ended December 31, 2018, the Company recognized no transfers to and from level 1 and level 2. There were no level 3 investments held by the Company during 2018.

**Note 4 - Transactions with Clearing Broker-Dealers**

The Company has a clearing agreement with its primary clearing broker-dealer, Hilltop Securities (HT), to provide execution and custody of debt security transactions for customers and trading for its own account. Clearing charges are incurred at a fixed rate multiplied by the number of tickets traded by the Company. The clearing agreement requires the Company to maintain a minimum clearing deposit of \$250,000.

The Company also has a trading deposit with HT in the amount of \$8,477,593 at December 31, 2018. The trading deposit is required to satisfy margin requirements associated with the Company's trading inventory. The amount of margin required fluctuates on a daily basis depending on the amount and type of securities held in the Company's inventory trading accounts.

The Company had a payable to HT of \$18,633,585 at December 31, 2018. The payable balance fluctuates on a daily basis as the Company purchases and sells securities through HT for its own account. Interest is calculated daily (3.875% at December 31, 2018), based on a fixed spread over the federal funds rate and paid monthly. The Company's debt securities owned are held by HT as collateral.

During 2013, the Company entered into a clearing agreement with ConvergeEx Execution Solutions LLC (ConvergeEx) to provide execution and custody of customer equity-based transactions. In 2018, ConvergeEx was purchased by Cowen Securities. In August 2018, the Company terminated the clearing agreement with Cowen Securities.

## **NATIONAL ALLIANCE SECURITIES, LLC**

### **Notes to Financial Statements**

**December 31, 2018**

During 2013, the Company entered into a clearing agreement with G-Trade Services LLC (G-Trade) to provide execution and custody of customer international equity-based transactions. The Company did not execute any international equity-based transactions during 2018.

#### **Note 5 - Debt Securities Purchased Under Agreements to Resell**

Debt securities purchased under agreements to resell are collateralized financing agreements for debt securities the Company financed. Reverse repurchase activities were transacted under a master repurchase agreement with a national broker-dealer (borrower). The Company receives collateral in the form of debt securities in connection with debt securities financed. The agreement gives the Company a right, in the event of default, to liquidate the collateral held and to offset any receivable from the borrower. There were seven reverse repurchase transactions outstanding at December 31, 2018 with a total contracted repurchase amount of \$5,689,279. The fair value of debt securities received as collateral under agreements to resell totaled \$5,599,842. The collateral deficit of \$94,986 is recorded as another deduction in the computation of net capital. The Company is permitted to and sold the securities held as collateral; therefore, is obligated to purchase similar securities at the future date to close the reverse repurchase transactions. In the event the collateral value decreases, additional collateral would be required. Interest varies on each repurchase transaction, is calculated daily, 1.5% to 2.875% at December 31, 2018, based on a fixed spread over the federal funds rate and received when the obligations are settled.

#### **Note 6 - Debt Securities Sold Under Agreements to Repurchase**

Debt securities sold under agreements to repurchase are collateralized financing agreements for debt securities the Company owns. Repurchase activities were transacted under a master repurchase agreement with a national broker-dealer (lender). The Company pledges debt securities to collateralize repurchase agreements. The agreements give the lender a right, in the event of default, to liquidate the collateral held and to offset any receivables from the Company. There were twenty six repurchase transactions outstanding at December 31, 2018 with a total contracted repurchase liability of \$7,790,672. The fair value of debt securities provided by the Company as collateral under these agreements to repurchase totaled \$8,566,539. The Company has recorded a repo deficit benefit of \$24,437 in the computation of net capital. In the event the collateral value decreases, additional collateral may be required.

Interest varies on each repurchase transaction, is calculated daily (2.83% to 3.45% at December 31, 2018), based on a fixed spread over the federal funds rate and paid when the obligations are settled.

#### **Note 7 - Net Capital Requirements**

The Company is subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of a minimum amount of net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2018, the Company had net capital of \$4,920,106 which was \$4,620,106 in excess of its required net capital of \$250,000. The Company's ratio of aggregate indebtedness to net capital was 0.17 to 1 at December 31, 2018.

## NATIONAL ALLIANCE SECURITIES, LLC

Notes to Financial Statements

December 31, 2018

### Note 8 - Retirement Plan

The Company has a 401(k) profit sharing plan covering substantially all employees. Under this plan, employees may make elective contributions as allowed under federal law and the Company may make matching and discretionary contributions. Employee contributions and Company contributions are vested immediately. For the year ended December 31, 2018, the Company made no matching or profit sharing contribution. The Company incurred \$6,613 in expenses related to the plan. Plan expenses are recorded as compensation and related costs in the accompanying statement of operations.

### Note 9 - Commitments and Contingencies

#### Operating Leases

The Company leases branch office facilities in New York, NY, Austin, TX, Houston, TX and Sugarland, TX, under non-cancellable operating lease agreements expiring at various times from 2018 through 2024. Rent expense for the year totaled \$426,533 and is reflected in the accompanying statement of operations as occupancy and equipment costs.

Future minimum lease commitments for each of the years ending December 31 are as follows:

	\$
2019	618,390
2020	545,950
2021	558,589
2022	526,346
2023 and thereafter	
Total	<u>461,433</u>
	<u>3,101,468</u>

#### Contingencies

The nature of the Company's business subjects it to various claims, regulatory examinations, other proceedings, and legal actions in the ordinary course of business.

The Company is not involved in any other FINRA and SEC matters that have arisen in the ordinary course of business. No provision has been accrued in the financial statements at December 31, 2018 for potential litigation or settlements

### Note 10 - Off-Balance-Sheet Risk

As discussed in Note 1, the Company's customers' securities transactions are introduced on a fully disclosed basis with its clearing broker-dealers. The clearing broker-dealers carry all of the accounts of the customers of the Company and are responsible for execution, collection and payment of funds, and receipt and delivery of securities relative to customer transactions. Off-balance-sheet risk exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitments wherein the clearing broker-dealer may charge any losses it incurs to the Company. The Company seeks to minimize this risk through procedures designed to monitor the credit worthiness of its customers and that customer transactions are executed properly by the clearing broker-dealer.

## **NATIONAL ALLIANCE SECURITIES, LLC**

### **Notes to Financial Statements**

**December 31, 2018**

The Company has sold securities that it does not own and will therefore be obligated to purchase such securities at a future date. The Company records these obligations in the financial statements at fair values of the related securities and will incur a loss if the fair value of the securities subsequently increases.

#### **Note 11 - Concentration of Credit Risk**

The Company is subject to concentration risk by holding large positions in debt securities.

The Company has a receivable, debt securities, trading deposit and a clearing deposit, due from and held by its primary clearing broker-dealer, HT, totaling \$57,300,465 or approximately 91% of total assets at December 31, 2018.

The Company also has securities sold, not yet purchased and a payable to its primary clearing broker-dealer, HT, totaling \$43,835,446 or approximately 70% of total liabilities.

#### **Note 12 - Subsequent Events**

Management has evaluated the Company's events and transactions that occurred subsequent to December 31, 2018 through February 28, 2019 the date the financial statements were available for issuance. In December 2018, National Alliance Securities dba NatAlliance Securities was purchased in whole by NatAlliance Holding Company LLC. The purchase was effective January 1, 2019. There were no changes to the ownership group at that time and NatAlliance Securities will continue on as a wholly owned subsidiary of NatAlliance Holding Company LLC. In January 2019, the Company added 20% more employees to its sales and trading operations which the Company believes will be immediately additive to revenues. In addition, NatAlliance Securities acquired certain office furniture and equipment, and office leases. In January 2019, NatAlliance Securities received \$2,670,576 of new capital.



**NATIONAL ALLIANCE SECURITIES, LLC**  
Computation of Net Capital and Aggregate Indebtedness  
Pursuant to Rule 15c3-1 of the Securities and Exchange Commission  
For the Year Ended December 31, 2018

**Computation of Net Capital**

Total Members' capital qualified for net capital	\$ 10,025,913
Deductions and/or charges	
Non-allowable assets:	
Accounts receivable-other	359,414
Property and equipment, net	37,558
Other assets	1,595,187
Other deductions/or charges	70,548
Total deductions and/or charges	<u>2,062,707</u>
Net capital before haircuts on securities positions	<u>7,963,206</u>
Haircuts on securities:	
Money market funds and certificates of deposit	
Exempted securities	
U.S. Government obligation	596,241
Debt securities	
State and municipal government obligations	1,278,615
Corporate obligations	1,059,525
Other	45,160
Other Securities	63,315
Undue concentration	244
Total haircuts on securities	<u>3,043,100</u>
Net Capital	<u><u>\$ 4,920,106</u></u>
<b>Aggregate Indebtedness</b>	
Accounts payable and accrued expenses	\$ 227,157
Accrued compensation payable	607,246
State income taxes payable	<u>21,144</u>
Total aggregate indebtedness	<u><u>\$ 855,547</u></u>
<b>Computation of basic Net Capital Requirement</b>	
Minimum net capital required (greater of \$250,000 or	
6 2/3% of aggregate indebtedness)	<u><u>\$ 250,000</u></u>
Net capital in excess of minimum requirement	<u><u>\$ 4,670,106</u></u>
Ratio of aggregate indebtedness to net capital	<u><u>0.1739 to 1</u></u>

Note: The above computation does not differ from the computation of net capital under Rule 15c3-1 as of December 31, 2018 as filed by National Alliance Securities, LLC on Form X-17A-5 filed on January 25, 2018. Accordingly, no reconciliation is deemed necessary.

See notes to financial statements and report of independent registered public accounting firm.



INDEPENDENT ACCOUNTANTS' AGREED-UPON PROCEDURES REPORT  
ON SCHEDULE OF ASSESSMENT AND PAYMENTS (FORM SIPC-7)

To the Members of  
National Alliance Securities, LLC  
Austin, Texas

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934 and with the SIPC Series 600 Rules, we have performed the procedures enumerated below, which were agreed to by National Alliance Securities, LLC and the Securities Investor Protection Corporation (SIPC) with respect to the accompanying General Assessment Reconciliation (Form SIPC-7) of National Alliance Securities, LLC for the year ended December 31, 2018, solely to assist you and SIPC in evaluating National Alliance Securities, LLC's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). National Alliance Securities, LLC's management is responsible for National Alliance Securities, LLC's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the Public Company Accounting Oversight Board (United States). The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7, as summarized in Exhibit I to this report, with respective cash disbursement records, noting no differences;
2. Compared the Total Revenue amount reported on the Annual Audited Report Form X-17A-5 Part III for the year ended December 31, 2018, with the Total Revenue amount reported in Form SIPC-7 for the year ended December 31, 2018, noting no differences;
3. We were unable to compare any adjustments reported in Form SIPC-7 with supporting schedules and working papers, as there were no such adjustments.
4. Recalculated the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and supporting working papers, noting no differences.
5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the applicable instructions of the Form SIPC-7. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

To the Members of  
National Alliance Securities, LLCRe:  
Independent Accountants' Agreed-Upon Procedures Report On  
Schedule of Assessment and Payments (Form SIPC-7)

This report is intended solely for the information and use of the specified parties listed above and is not intended to be, and should not be, used by anyone other than these specified parties.

Briggs & Veselka Co.  
Briggs & Veselka Co.  
Houston, Texas

February 28, 2019

NATIONAL ALLIANCE SECURITIES, LLC  
EXHIBIT I – SCHEDULE OF ASSESSMENT PAYMENTS TO THE SECURITIES INVESTOR  
PROTECTION CORPORATION  
FOR THE YEAR ENDED DECEMBER 31, 2018

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<u>Date Paid</u>	<u>Amount Paid</u>
July 30, 2018	\$ 10,143
January 30, 2019	<u>8,852</u>
Total	<u>\$ 18,995</u>

**SIPC-7**

(36-REV 12/18)

SECURITIES INVESTOR PROTECTION CORPORATION  
 P.O. Box 92185 Washington, D.C. 20090-2185  
 202-371-8300  
**General Assessment Reconciliation**

**SIPC-7**

(36-REV 12/18)

For the fiscal year ended 12/31/2018

(Read carefully the instructions in your Working Copy before completing this Form)

**TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS**

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

12\*12\*\*\*\*\*2474\*\*\*\*\*MIXED AADC 220  
 48723 FINRA DEC  
 NATIONAL ALLIANCE SECURITIES LLC  
 111 CONGRESS AVE STE 800  
 AUSTIN, TX 78701-4665

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

2. A. General Assessment (item 2e from page 2)

B. Less payment made with SIPC-6 filed (exclude interest)

7-31-18

Date Paid

C. Less prior overpayment applied

D. Assessment balance due or (overpayment)

E. Interest computed on late payment (see instruction E) for \_\_\_\_\_ days at 20% per annum

F. Total assessment balance and interest due (or overpayment carried forward)

G. PAYMENT: ☒ the boxCheck mailed to P.O. Box ☐ Funds Wired ☒ ACH ☐

Total (must be same as F above)

H. Overpayment carried forward

\$ 18,995  
 ( 10,143 )

\$ 8,852

\$ 8,852  
 \$( \_\_\_\_\_ )

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

National Alliance Securities LLC  
 (Name of Corporation, Partnership or other organization)

Joe Blum  
 (Authorized Signature)

(Title)

Dated the 30 day of Jan, 2019

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

**SIPC REVIEWER**Dates: PostmarkedReceivedReviewedDocumentation

Forward Copy \_\_\_\_\_

Calculations \_\_\_\_\_

Exceptions:

Disposition of exceptions:

# DETERMINATION OF "SIPC NET OPERATING REVENUES" AND GENERAL ASSESSMENT

Amounts for the fiscal period  
beginning 1/1/2018  
and ending 12/31/2018

Item No.  
2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030) Eliminate cents  
\$ 14,774,470

2b. Additions:

- (1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.
- (2) Net loss from principal transactions in securities in trading accounts.
- (3) Net loss from principal transactions in commodities in trading accounts.
- (4) Interest and dividend expense deducted in determining item 2a.
- (5) Net loss from management of or participation in the underwriting or distribution of securities.
- (6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.
- (7) Net loss from securities in investment accounts.

Total additions

2c. Deductions:

- (1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.
- (2) Revenues from commodity transactions.
- (3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.
- (4) Reimbursements for postage in connection with proxy solicitation.
- (5) Net gain from securities in investment accounts.
- (6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.
- (7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).
- (8) Other revenue not related either directly or indirectly to the securities business.  
(See Instruction C):

(Deductions in excess of \$100,000 require documentation)

- (9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.

\$ 12,836,711

- (ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).

\$ \_\_\_\_\_

Enter the greater of line (i) or (ii)

Total deductions

2d. SIPC Net Operating Revenues

2e. General Assessment @ .0015

12,836,711  
2,111,157  
\$ 12,663,013  
\$ 18,995  
(to page 1, line 2.A.)




## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members of  
National Alliance Securities, LLC  
Austin, Texas

We have reviewed management's statements, included in the accompanying National Alliance Securities, LLC Exemption Report, in which (1) National Alliance Securities, LLC identified the following provisions of 17 C.F.R. §15c3-3(k) under which National Alliance Securities, LLC claimed an exemption from 17 C.F.R. §240.15c3-3: (k)(2)(ii) (the "exemption provisions") and (2) National Alliance Securities, LLC stated that National Alliance Securities, LLC met the identified exemption provisions throughout the most recent fiscal year without exception. National Alliance Securities, LLC's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about National Alliance Securities, LLC's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.

  
Briggs & Veselka Co.  
Houston, Texas

February 28, 2019

**NATIONAL ALLIANCE SECURITIES, LLC**  
**Exemption Report**

National Alliance Securities, LLC (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. §240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the followings:

- 1) The Company may file an Exemption Report because the Company had no obligations under 17 C.F.R. §240.15c3-3.
- 2) The Company met the identified exemption provisions in 17 C.F.R. §240.15c3-3(k)(2)(ii) throughout the most recent fiscal year without exception.

I, Fred Bush, affirm that, to my best knowledge and belief, this Exemption Report is true and correct.

Signed:  
FINOP

